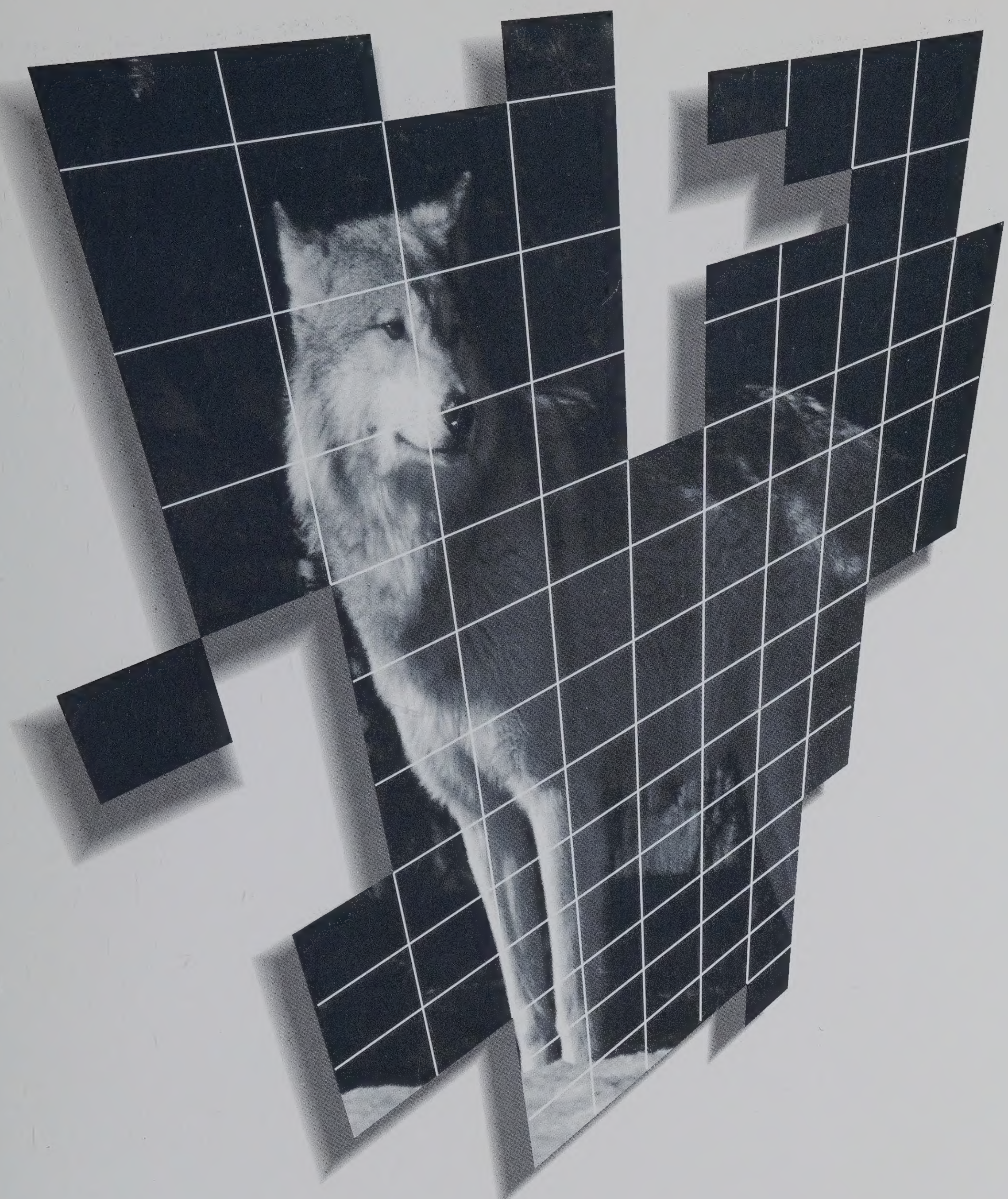


Cascade Oil & Gas Ltd.

Nineteen Ninety-five Annual Report

Corporate Profile

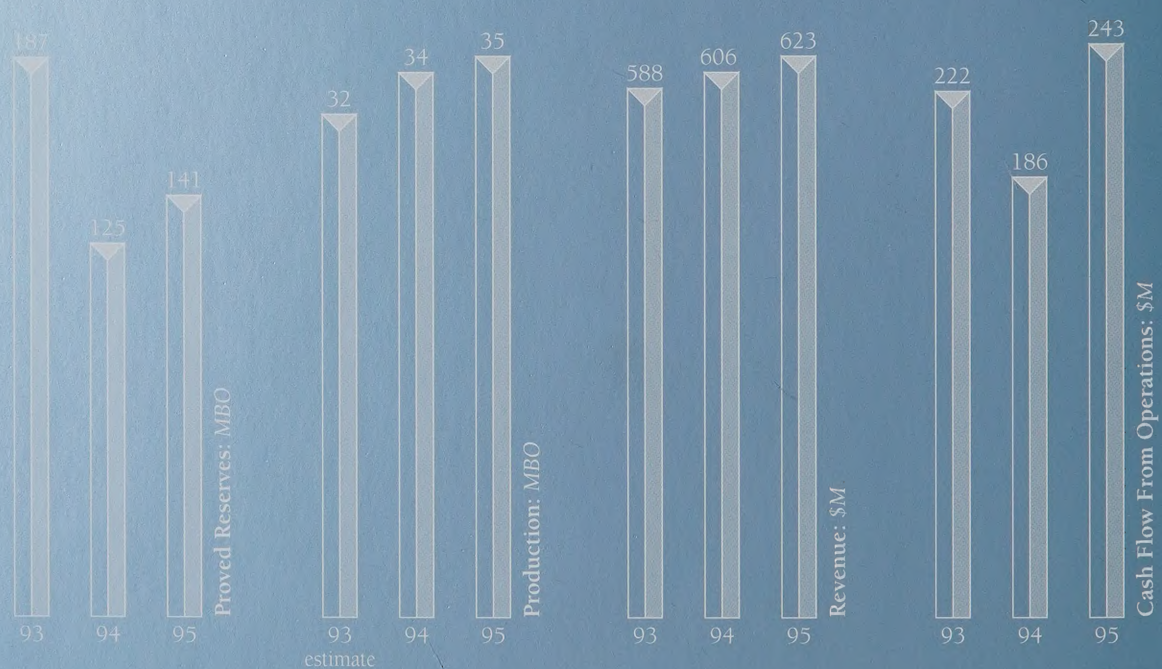
Cascade Oil & Gas Ltd. is a publicly traded junior energy company established in 1987. The new management of Cascade is determined to enhance shareholder value through aggressive acquisition and drilling programs. In the past, Cascade focused its operations on Southwest Saskatchewan. In the future, the Company will direct more effort to opportunities in Alberta.

Annual Meeting

The annual general meeting of shareholders will be held on Tuesday, May 21, 1996 at 10:00 a.m. at the Alberta Stock Exchange, 10th floor, 300 - Fifth Avenue S.W., Calgary, Alberta.

Table of Contents

1995 Results



Cascade Oil & Gas was established nearly a decade ago. Over the years, it conducted an aggressive land acquisition program with the result that the Company currently has about 26,000 gross acres (12,000 net acres) in its undeveloped land inventory. These lands are located in Southwest Saskatchewan, the main geographic emphasis of the Company in the past and an area that has seen substantial increases in both Crown lease sales and drilling in recent years. The Cascade lands are located in the midst of this activity.

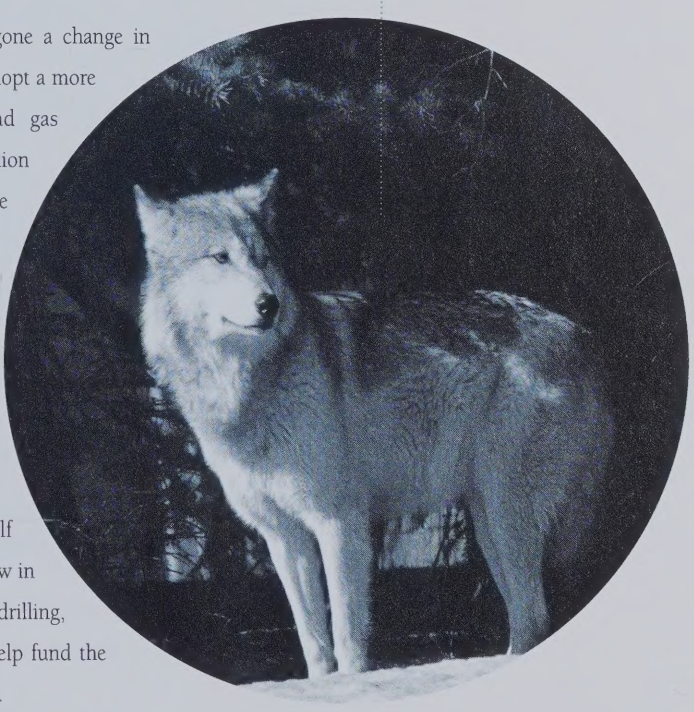
During 1995, Cascade participated in the drilling of five wells in Saskatchewan. Three were completed as oil wells, contributing 22 barrels of oil per day to Cascade's working interest, and two as dry holes.

With its change in ownership, Cascade will adopt a more aggressive strategy to pursue oil and gas opportunities.

The depletion and amortization charge for 1995 totalled $907,707. Of this amount, $554,000 was due to the write off of undeveloped leaseholds.

New Ownership for Cascade

Effective January 4, 1996, Cascade has undergone a change in ownership. As a result, the Company plans to adopt a more aggressive strategy in its pursuit of oil and gas opportunities. We believe this change in direction will provide Cascade's shareholders greater value over the long term.



In late 1995, a majority of Cascade shareholders agreed to the sale of treasury shares to Grey Wolf Exploration Ltd. As a result of the sale, Grey Wolf acquired a controlling interest of two-thirds of the outstanding shares of Cascade. Grey Wolf purchased the stock for $4,091,000, which is now in the Cascade treasury, and will be used for drilling, acreage acquisitions in new core areas and to help fund the acquisition of properties and/or other companies.

Grey Wolf Exploration Ltd. is a privately held Canadian company owned by Abraxas Petroleum Corporation and several individuals. Abraxas, a publicly traded company on the NASDAQ Stock Exchange, owns approximately 78 percent of Grey Wolf.

In general, the oil produced by the Company in Saskatchewan is heavier gravity. As the price of oil has recently risen, the price of our Saskatchewan oil has actually dropped due to the increased differential spread between it and higher gravity oil. This fact, plus the lack of significant success to date on the Saskatchewan prospects, has led management to decide to refocus the Company's efforts to a larger degree in Alberta.

One of the goals of the Company is to develop an aggressive exploration program. However, before this goal is achieved, it is felt that the Company must have a significantly larger production base in order to support such a program.

Acquisitions

Accordingly, the immediate, shorter term goal is to grow through acquisitions or merger with larger entities, in a manner that allows Cascade to remain in a position of control.

Presently, Cascade is evaluating possible acquisitions, with several candidates being given serious consideration. Shareholders will be kept informed in a timely manner of the results of this activity. We plan to maintain the current staff level until new activity warrants additions. We believe there are many talented individuals and companies that possess properties that would be a strategic fit with Cascade.

Cascade has established a number of criteria to evaluate possible acquisitions, whether producing properties or companies. These include:

- Alberta will be the main area of focus;
- Potential for new exploratory drilling to add both production and reserves must exist;
- Potential for either extension or infill drilling and/or enhanced recovery;
- Existing reserves that can be placed on production at an early date;
- Activity will be concentrated in areas where success ratios are high, potential reserves are larger than average and multiple pay zones are possible;
- A significant amount of 'operated' properties, so that new efficiencies can be achieved.

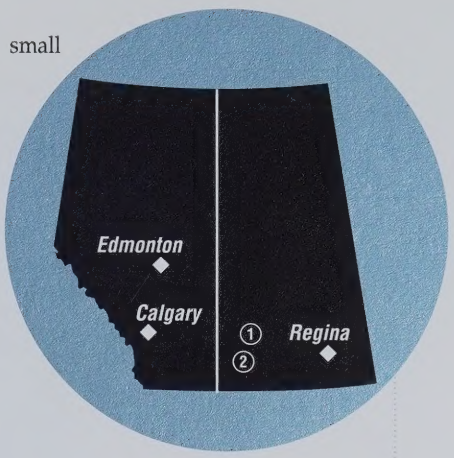
As Cascade embarks on the next phase of its growth, we would like to thank our shareholders for their continuing support. We also wish to acknowledge the contributions of the former officers and directors of the Company.

On behalf of the Board,

ROGER L. BRUTON
President
April 9, 1996

During 1995, Cascade increased its proven reserve base along with small increases in production, revenue and cash flow from operations.

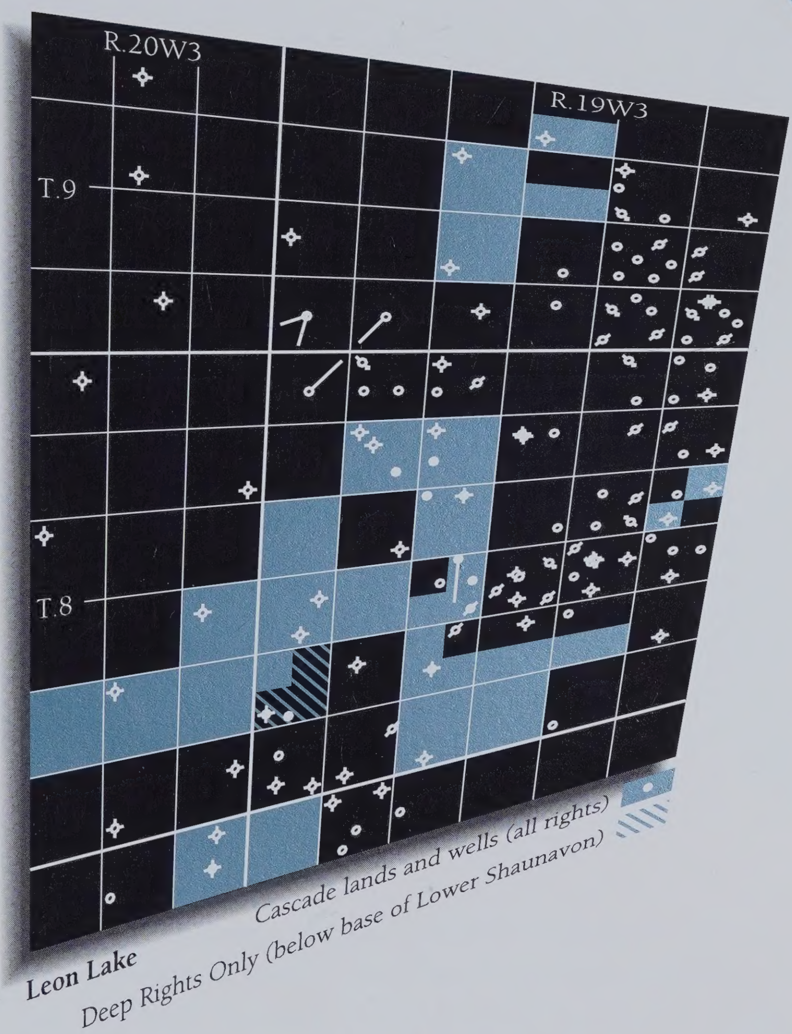
Year end proved producing recoverable reserves increased by 12 percent over 1994. For 1994, proved producing reserves after royalty were 125,000 barrels of oil at December 31, 1994. As at December 31, 1995, after royalty reserves were 141,000 barrels of oil.



Areas of Interest:

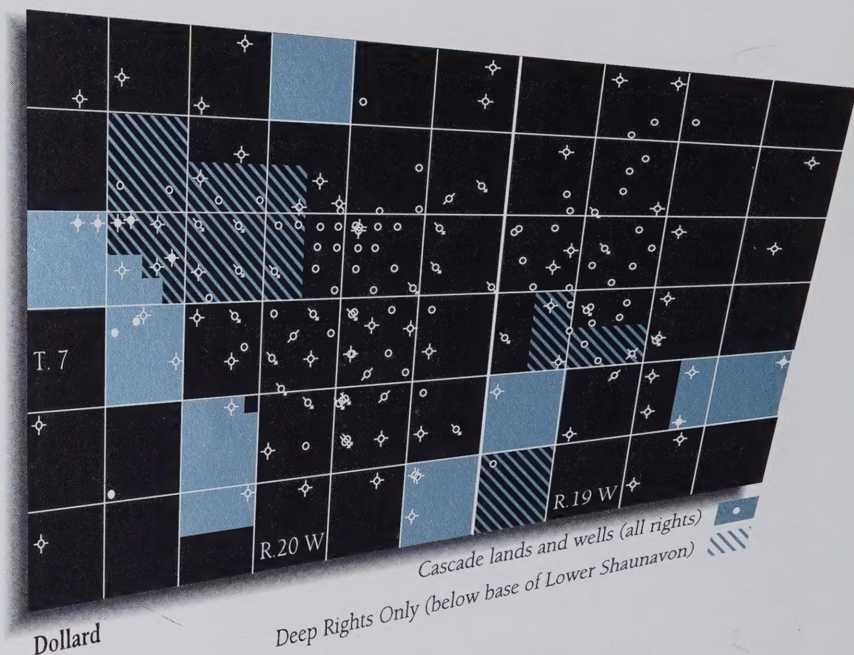
2. Dollard/Leon Lake

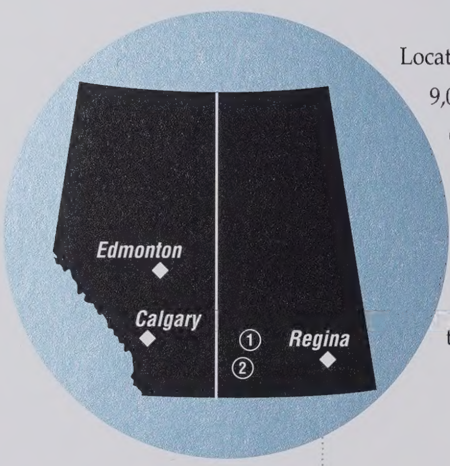
Leon Lake, Saskatchewan



Cascade's acreage in Southwest Saskatchewan, five to six miles west of the Town of Shaunavon, covers approximately 13,000 gross acres (5,000 net acres). The results of Cascade's drilling in the Leon Lake area were disappointing. Cascade drilled two wells on this play having approximately a 40 percent working interest in each. Both wells were plugged and abandoned with no shows of oil. Leon Lake will be evaluated and attempts will be made to encourage the drilling of additional wells on the acreage by other operators.

Dollard, Saskatchewan





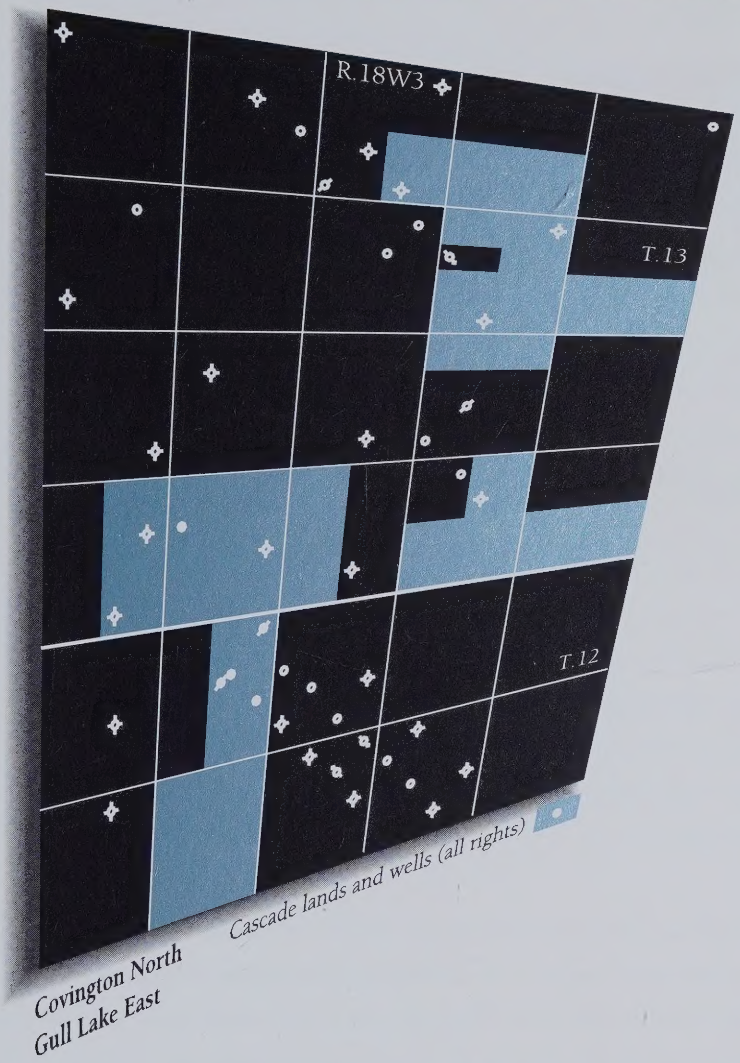
Areas of Interest:

1. Covington North/Gull Lake

2. Dollard/Leon Lake

Located in Southwest Saskatchewan, the Dollard area covers approximately 9,000 gross acres (5,000 net acres) of Company-owned oil and gas leases. Cascade has an average of 50 percent working interest in these lands. In 1995, two producing oil wells from the Upper Shaunavon were completed on these lands, giving Cascade a combined 14 barrels of oil per day. Cascade has a 30 percent working interest in one well and a 50 percent working interest in the other. The acreage is being studied to determine if additional drilling is warranted.

Covington North / Gull Lake East, Saskatchewan



Cascade owns varying interests in about 4,600 gross acres (2,300 net acres) in the Covington North/Gull Lake East prospects. These lands have the potential of multi-pay production.

In 1995, an exploratory well drilled at 12-4-13-18 W3M was completed as an Upper Shaunavon oil discovery. The well is presently producing 42 barrels of oil per day. Cascade has applied for Good Production Practice and it has been approved. This will allow the well to produce 60 to 70 barrels of oil per day. Cascade has a 12.5 percent working interest in the well and an overriding royalty interest that is convertible to a working interest.

New drilling is taking place to the northeast of the acreage and this will be monitored as it moves closer to Cascade's block.

Alberta

Cascade Oil & Gas has interests ranging from .219 percent to 12.42 percent in 30 oil wells in several fields in Alberta. These are all located in mature fields and it is probable that no additional drilling will be done in any of the fields.

AUDITORS' REPORT

March 20, 1996

To the Shareholders of
CASCADE OIL & GAS LTD.

We have audited the consolidated balance sheet of Cascade Oil & Gas Ltd. as at December 31, 1995 and 1994 and the statements of operations and deficit and changes in financial position for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for each of the years then ended in accordance with generally accepted accounting principles.

Anthony Bleackley Hanson & McCann

Chartered Accountants

Calgary, Alberta

Consolidated Balance Sheet

December 31		1995		1994
Assets				
Current assets:				
Cash and treasury bills	$	344,346	$	774,623
Accounts receivable		221,759		155,260
Alberta Royalty Tax Credit receivable		53,780		43,779
Prepaids		11,182		7,640
		631,067		981,302
Property and equipment (Notes 1 and 2)		1,007,419		1,348,928
	$	1,638,486	$	2,330,230
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	$	198,766	$	227,581
Provision for future site restoration (Note 1)		77,772		56,678
Shareholders' equity:				
Share capital (Note 3)-				
Authorized- An unlimited number of common shares without nominal or par value				
Issued- 20,455,000 common shares		4,121,249		4,121,249
Deficit		(2,759,301)		(2,075,278)
		1,361,948		2,045,971
	$	1,638,486	$	2,330,230

Approved by The Board:

Roger L. Bruton, Director

Donald A. Engle, Director

Consolidated Statement of Operations and Deficit

Years ended December 31	1995	1994
Revenue:		
Oil and gas production, net of royalties	$ 581,833	$ 556,252
Interest	40,860	49,595
	622,693	605,847
Expenses:		
Production expenses	297,245	323,360
Depletion and amortization	907,707	611,800
Provision for future site restoration	21,094	21,334
General and administration	134,450	136,353
	1,360,496	1,092,847
Loss before income taxes	(737,803)	(487,000)
Income taxes (recovered):		
Current (Note 4)	–	3,497
Alberta royalty tax credit	(53,780)	(43,779)
	(53,780)	(40,282)
Loss for the year	(684,023)	(446,718)
Deficit, beginning of year	(2,075,278)	(1,628,560)
Deficit, end of year	$ (2,759,301)	$ (2,075,278)
Loss per common share	$ (0.033)	$ (0.022)

Consolidated Statement of Changes in Cash Position

Year ended December 31	1995	1994
Operating activities:		
Working capital from operations -		
Net loss for the year	$ (684,023)	$ (446,718)
Add (deduct): Items not requiring a current outlay of working capital -		
Depletion and amortization	907,707	611,800
Provision for future site restoration	21,094	21,334
	244,778	186,416
Changes in non-cash working capital items related to operations (1)	(108,857)	(103,361)
	135,921	83,055
Investing activities:		
Additions to property and equipment	(645,358)	(794,137)
Proceeds on sale of oil and gas properties	79,160	120,000
	(566,198)	(674,137)
Decrease in cash and treasury bills for the year	(430,277)	(591,082)
Cash and treasury bills, beginning of year	774,623	1,365,705
Cash and treasury bills, end of year	$ 344,346	$ 774,623

(1) Changes in non-cash working capital:		
Increase in accounts receivable	$ (66,499)	$ (12,281)
(Increase) decrease in Alberta Royalty Tax Credits receivable	(10,001)	11,033
Decrease (increase) in prepaids	(3,542)	3,860
Decrease in accounts payable	(28,815)	(105,973)
	$ (108,857)	$ (103,361)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1995

1. ACCOUNTING POLICIES:

(a) Consolidation-

The comparative consolidated financial statements include the accounts of Cascade Oil & Gas Ltd. ("the Company") and its wholly-owned inactive subsidiary, 275265 Alberta Ltd.

(b) Petroleum and natural gas operations-

The Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Costs include land acquisition costs, geological and geophysical costs, costs of drilling both productive and non-productive wells, production equipment and related facilities and various costs associated with evaluating oil and gas properties for potential acquisition. (At December 31, 1995 and 1994 there was $33,363 of costs associated with evaluating oil and gas properties included in petroleum and natural gas properties.) Such costs are accumulated, depleted and amortized on the unit-of-production method based on estimated gross proven recoverable reserves with net production and reserve volumes of natural gas converted to equivalent energy units of oil. At December 31, 1995, $Nil (December 31, 1994- $550,000) costs related to unproven properties have been excluded from costs subject to depletion and amortization.

Costs accumulated in each cost centre are limited to the future net revenue from estimated production of proved reserves, based upon year end prices, (Edmonton par base price - $25 per barrel of crude oil) plus the value of unproved properties and major development projects. Costs accumulated in all cost centres are limited to the aggregate future net revenues from estimated production of proved reserves, based upon year end prices, plus the aggregate value of unproved properties and major development projects, less the aggregate estimated future production-related general and administrative, financing costs, future site restoration costs and income taxes for all cost centres.

All the Company's petroleum and natural gas exploration, development and production activities are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

(c) Other capital assets-

Computer software and office furniture is amortized on a declining balance basis at an annual rate of 20% and computer hardware is amortized on the same basis at an annual rate of 30%.

(d) Future site restoration costs:

Estimated future costs of restoring the Company's oil and gas properties are being provided on the unit-of-production basis. Such costs are expensed annually and accumulated in the provision account based upon proven reserve estimates and current production levels. When expenditures are made to restore a property, the accrued provision is charged with these expenditures.

2. PROPERTY AND EQUIPMENT:

	Dec. 31, 1995			Dec. 31, 1994
	Cost	Accumulated depletion and amortization	Net book value	Net book value
Petroleum and natural gas properties, including exploration, development and equipment thereon	$ 6,261,539	$ 5,277,695	$ 983,844	$ 1,325,442
Office furniture and equipment	62,499	38,924	23,575	23,486
	$ 6,324,038	$ 5,316,619	$ 1,007,419	$ 1,348,928

At December 31, 1995 property and equipment is recorded at a net book value that is approximately $1,514,000 less than the net cost for tax purposes (December 31, 1994-$563,000).

3. SHARE CAPITAL:

(a) **Common shares-**

	Number of shares	Carrying value
Balance, December 31, 1994 and December 31, 1995	20,455,000	$ 4,121,249

(b) **Granting of options-**
On February 2, 1993, the Company granted to two officers and directors', an aggregate of 1,100,000 options to purchase common shares of the Company at an exercise price of $0.20 per common share. The options will expire January 31, 1998 if not exercised. No options were exercised during the year (Note 6 (b)).

4. INCOME TAXES:

Income tax recovery (excluding Alberta royalty tax credit) varies from that which would be computed by applying statutory rates to loss before income taxes ("Pre-tax earnings"), as follows:

	1995		1994	
	Amount	Percent of pre-tax earnings	Amount	Percent of pre-tax earnings
Computed income tax recovery	$ (326,800)	(44.3)	$ (215,740)	(44.3)
Increase (decrease) resulting from:				
Federal resource allowance and Provincial deductions less than non-deductible crown charges	9,500	1.3	13,320	2.7
Permanent difference on amortization of incorporation costs and deduction of share issue costs	(12,375)	(1.7)	(12,375)	(2.5)
Tax benefit of timing differences not reflected for accounting purposes	329,675	44.7	214,795	44.1
Prior years' income tax assessments	–	–	3,497	0.7
Actual income tax expense	$ –	–	$ 3,497	0.7

5. RELATED PARTY TRANSACTIONS AND OFFICERS REMUNERATION:

Two officers of the Company were remunerated $106,000 during the year ended December 31, 1995 (year ended December 31, 1994- $105,000).

6. SUBSEQUENT EVENT:

Acquisition of control:

(a) On January 4, 1996 the Company completed a private placement of shares under which Grey Wolf Explorations Ltd. subscribed for 40,910,000 common shares by payments of $4,091,000. As a result of this private placement Grey Wolf Exploration Ltd. owns 66 2/3% of the Company, resulting in a change of control. The pro-forma balance sheet taking this transaction into account, assuming it had occurred as at December 31, 1995, would be as follows:

ASSETS	
Current - Cash	$ 4,435,346
- Other current assets	286,721
	4,722,067
Property and equipment	1,007,419
	$ 5,729,486
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current	$ 198,766
Provision for future site restoration	77,772
Share capital (61,365,000 common shares)	8,212,249
Deficit	(2,759,301)
	5,452,948
	$ 5,729,486

(b) **Stock options:**

In conjunction with the above private placement on January 4, 1996 the existing officers and directors resigned, and quit claimed and surrendered their options to purchase 1,100,000 common shares at $0.20 per share. The newly appointed officers and directors were granted options to purchase 2,600,000 common shares at $0.20. The new options will expire February 12, 2001 if not exercised prior to this date.

1995 Directors

Kevin R. Baker
Roy R. Baker
Ernest F. Stevens
W. Bruce Woods

Current Officers and Management

James C. Phelps
Chairman of the Board

Roger L. Bruton
President

Donald A. Engle
Vice President and Secretary

Richard M. Riggs
Vice President

Shirley J. Gillis
Assistant Secretary

Current Directors

Roger L. Bruton
Greenwood Village, Colorado

Donald A. Engle
Calgary, Alberta

James C. Phelps
San Antonio, Texas

J. Norman Willson
Calgary, Alberta

W. Bruce Woods
Calgary, Alberta

Head Office

#303, 630 - Sixth Avenue S.W.
Calgary, Alberta T2P 0S8
Tel: (403) 262 - 1949
Fax: (403) 262 - 1969

Registrar and Transfer Agent

Montreal Trust Company of Canada
Calgary, Alberta

Auditors

Antony Bleackley Hanson & McCowan
Calgary, Alberta

Solicitors

Bennett Jones Verchere
Calgary, Alberta

Investor Relations Information

Stock Listing Symbol: COL
The Alberta Stock Exchange

For More Information Contact:
Shirley Gillis (403) 262 - 1949

Designed by: The Merlin Creative Group Inc.
Printed in Canada

Cascade Oil & Gas Ltd.
Suite 303
630 - Sixth Avenue SW
Calgary, Alberta
T2P 0S8

Tel: (403) 262 - 1949